

# CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Blackhawk Bancorp, Inc

Point of Contact:	Todd James	RSSD: (For Bank Holding Companies)	27548
UST Sequence Number:	789	Docket Number: (For Thrift Holding Companies)	
CPP/CDCI Funds Received:	10,000,000	FDIC Certificate Number: (For Depository Institutions)	14078
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	
Date Funded (first funding):	March 13, 2009	City:	Beloit
Date Repaid <sup>1</sup> :	N/A	State:	Wisconsin

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

**What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).**

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

In 2011, lending was reduced less than otherwise would have incurred. Total loans net of the allowance for loan losses was essentially unchanged from December 31, 2010 to December 31, 2011.

## CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Blackhawk Bancorp, Inc

☐ To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).

☒ **Increase securities purchased (ABS, MBS, etc.).**

Due to a low level of local loan demand investment securities were increased by \$8.8 million from December 31, 2010 to December 31, 2011. Without the CPP capital this balance sheet growth would not have occurred.

☐ **Make other investments.**

## CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Blackhawk Bancorp, Inc

☐ Increase reserves for non-performing assets.

☐ Reduce borrowings.

☐ Increase charge-offs.

## CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Blackhawk Bancorp, Inc

☐ Purchase another financial institution or purchase assets from another financial institution.

☒ Held as non-leveraged increase to total capital.

In 2011, the CPP capital was held on the balance sheet with no additional leverage other than the growth in the investment portfolio. This growth was supported by both the CPP funding and increases in retained earnings.

## CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Blackhawk Bancorp, Inc

### What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

In 2011, by retaining the CPP funding the bank was able to avoid de-leveraging the balance sheet. Management estimates that the balance sheet would be de-leveraged by \$50 million to \$100 million without the CPP funding.

## CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Blackhawk Bancorp, Inc

**What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?**

The CPP funds have enabled the bank to continuing pursuing loan growth and providing competitive deposit rates in our local markets.

CPP ANNUAL USE OF CAPITAL SURVEY - 2011



NAME OF INSTITUTION  
(Include Holding Company Where Applicable)

Blackhawk Bancorp, Inc

Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.